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FISCAL IMPACT STATEMENT

LS 6901

BILL NUMBER: HB 1363

NOTE PREPARED: Jan 1, 2013

BILL AMENDED:

SUBJECT: Road Funding.

FIRST AUTHOR: Rep. Huston

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that gasoline taxes, special fuel taxes, and motor carrier fuel taxes deposited in the Motor Vehicle Highway Account (MVH) may not be used to pay any part of the operating expenses of the Bureau of Motor Vehicles (BMV). It removes the requirement that one-half of the amount appropriated for the State Police Department be deducted from the MVH fund before making the statutory allocation to cities, towns, counties, and the Indiana Department of Transportation (INDOT). The bill provides that the amount of money that the BMV may receive from the MVH in a state fiscal year may not exceed the amount of fees collected by the BMV and deposited in the MVH in that state fiscal year.

Effective Date: July 1, 2013.

Summary of NET State Impact: The total net increase in state expenditures from this bill is \$42.5 M.

Using FY 2012 revenue and expense data as a baseline, the bill is estimated to shift \$158.4 M in gross State Police expenses from the MVH to other funds while also eliminating the \$67.9 M of MVH State Police reimbursement from the General Fund, Motor Carrier Regulation Fund, and Toll Road and federal funds in FY 2012. The bill will increase revenues to the State Highway Fund (INDOT) by an estimated \$48.0 M. Ultimately, the funds which will be affected will be determined by future legislative and administrative actions.

Explanation of State Expenditures: *Shifting State Police Expenses from MVH to Other Funds:* In FY 2012, State Police expenses paid out of the MVH totaled \$158.4 M. Gross State Police expenses are offset by a

variety of reimbursements to the MVH, including federal grants, General Fund reimbursements, Motor Carrier Fund reimbursement, Toll Road reimbursement, and Gaming Commission reimbursements. These reimbursements totaled \$67.9 M in FY 2012. Therefore, the net State Police expense paid out of the MVH in FY 2012 was \$90.5 M.

The bill removes the requirement that the MVH pay one-half of the amount appropriated to the State Police Department for its operations. However, it is sometimes the case (depending on funding decisions made in the corresponding biennial budget) that the MVH pays in excess of one-half of the State Police expenses in a given year. In FY 2012, for example, the MVH actually paid closer to 57% of gross State Police expenses for the year. Therefore, this analysis assumes that subsequent budgets will not appropriate any funding from the MVH for State Police expenses. Given that assumption, shifting the responsibility for payment of net State Police expenses from the MVH to other funds would result in \$90.5 M in additional MVH funding available for distribution to INDOT, counties, and cities and towns.

Restriction Placed on BMV Expenses: The bill outlines that future BMV expenses currently paid out of the MVH must be paid for exclusively from BMV revenues (vehicle fees, registration, title, and license fees) into the MVH. Essentially, the bill prohibits paying BMV expenses with gasoline tax, special fuel tax, and motor carrier fuel tax revenues into the MVH. In FY 2012, BMV expenses paid by the MVH were \$33.4 M, and BMV revenues into the MVH were \$118.8 M.

Background Information Transportation Funding: Motor Vehicle Highway Account and Distribution: The MVH is funded through a combination of revenue sources including portions of the Gasoline Tax, Special Fuel Tax, Motor Carrier Fuel Use Tax/Surtax, Vehicle Registration, Title Fees, and other smaller sources of revenue. Of the total available for distribution, 53% goes to the State Highway Fund (INDOT), and 47% to local units. The local MVH distribution method is different for counties and cities and towns. For cities and towns, it is entirely population-based. For counties, 5% of the amount available is distributed equally to all counties, 30% is based on county vehicle registration, and 65% is mileage-based. Local MVH distributions are used by counties, cities, and towns for the expenses of highway and street departments, construction, maintenance, and reconstruction cost of roads, and equipment purchases. Cities and towns may use a portion of their distribution for public safety expenditures.

Motor Vehicle Highway Account Expenses: The Auditor of State each month makes MVH distributions to INDOT, counties, and cities and towns. Each month, a variety of “off the top” expenses are paid out of the MVH by the Auditor of State prior to making the distributions to INDOT, counties, and cities and towns. According to current law, these include one-half of the amount appropriated for the State Police, traffic safety program expenses, as well as expenses incurred in the collection of MVH revenues. Specifically, these collection expenses include the Department of State Revenue fuel tax collection expenses, BMV expenses (not including license branch expenses, but including license plate production expense), and various other small related expenses. Gross State Police expenses are offset by a variety of reimbursements including federal grants, existing General Fund reimbursements, Motor Carrier Fund reimbursement, Toll Road reimbursement, and Gaming Commission reimbursements.

Explanation of State Revenues:

Summary of NET Local Impact: It is estimated that the bill will increase funding to counties and cities and

towns by \$42.5 M. Specifically, counties will receive an additional \$29 M and cities and towns will receive an additional \$13.6 M.

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures* and *Summary of NET Local Impact*.

State Agencies Affected: Indiana State Police, Bureau of Motor Vehicles, Indiana Department of Transportation, Indiana Auditor of State.

Local Agencies Affected: Counties; Cities and Towns.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2012*; Dan Bastin, Indiana Auditor of State Office, dbastin@auditor.in.gov; Bill Weinmann, Indiana Department of Transportation, jweinmann@indot.in.gov.

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